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# PERS Plan 2: Summary of Selected Benefits

<b>Eligible for Retirement</b>	<p>PERS Plan 2 provides for a retirement benefit when you are:</p> <ul style="list-style-type: none"> <li>-- Age 65 or older, if you have at least 5 service credit years.</li> <li>-- Age 55 but younger than 65, <ul style="list-style-type: none"> <li>• if you have at least 20 service credit years. Prior to age 65, the benefit will be actuarially reduced. See page 9.</li> <li>• if you have at least 30 service credit years, the benefit reduction is considerably less than the actuarial reduction noted above. See page 11.</li> </ul> </li> </ul>
<b>How Service Credit is Accumulated</b>	<p>Service is based on hours worked during a calendar month. 90 hours = 1 service credit month. Less than 90 but at least 70 hours = 1/2 service credit month. Less than 70 hours, but more than 0 hours = 1/4 service credit month. See page 5.</p>
<b>Service Credit for Military Time</b>	<p>You may be eligible to receive service credit for time spent in the military. To qualify you must have left retirement-covered employment to enter active military service on or after January 1, 1990. See page 6.</p>
<b>Average Final Compensation or AFC</b>	<p>Your AFC is the monthly average of your 60 consecutive highest-paid service credit months. <b>Not included</b> are payments for any type of severance pay, such as lump-sum payments for deferred sick leave, vacation or annual leave. See page 9.</p>
<b>Benefit Formula</b>	<p><math>2\% \times \text{Service Credit Years} \times \text{your AFC} = \text{Monthly Benefit}</math> See page 9.</p>
<b>Benefit Limitation</b>	<p>There is no percentage limitation on the size of your retirement benefit.</p>
<b>Contribution Rates</b>	<p>As of July 1, 2001, PERS Plan 2 member rates are 0.88 percent of your salary. Employer rates are 1.77 percent of your salary. These rates may be changed as necessary to reflect the cost of the Plan. See page 4.</p>
<b>Disability Retirement</b>	<p>If you become totally incapacitated for continued employment with a covered employer, and leave that employment as a result of the disability, you may be eligible for a disability retirement benefit. See page 12.</p>
<b>Temporary Duty Disability</b>	<p>You may be eligible to receive up to 12 months of service credit while on leave for a duty disability. See page 6.</p>
<b>Death in Service Survivor Benefit</b>	<ul style="list-style-type: none"> <li>• If you have less than 10 years of service and are not eligible to retire, your contributions plus interest will be paid to your beneficiary(ies).</li> <li>• If you have at least 10 years of service or are eligible to retire, your spouse or guardian of your minor children can choose between a monthly benefit or a lump sum payment of member contributions plus interest. See page 13.</li> </ul>
<b>Cost of Living Adjustment</b>	<p>On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle), to a maximum of 3 percent per year. See page 12.</p>

# Plan 2

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**T**his handbook describes your retirement benefits under Plan 2 of the Washington State Public Employees' Retirement System (PERS). The Plan is designed to be an important source of income that — along with Social Security benefits (if eligible), personal savings and other investments — will help pay your living expenses when you retire.

## Plan 2 or Plan 3?

The 2000 Washington State Legislature created Public Employees Retirement System (PERS) Plan 3, a new dual component retirement plan modeled after Washington State's Teachers' (TRS) and School Employees' (SERS) Plans 3 that were activated in 1996 and 2000 respectively.

**First-time PERS employees** must choose to become either Plan 2 or Plan 3 members within 90 days of beginning employment. You are reported in Plan 2 until you select a plan. If you do not select a plan within 90 days, your default choice becomes Plan 3. Plan choice is irrevocable.

**Established PERS Plan 2 members** (those who first entered service prior to the implementation of PERS Plan 3) have the option to transfer to Plan 3 during a designated transfer period. Transfer to Plan 3 is irrevocable. More information about Plan Transfer can be found on page 14.

**You can obtain more information** about the Plan 2/Plan 3 choice from your employer or by visiting the DRS Web site (<http://www.wa.gov/drs/member/pers.htm>).

## Summary Description

The actual rules governing your benefits are contained in the state retirement laws. This handbook is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this handbook and what is contained in the law, the applicable law will govern.

## PERS Plan 2 Highlights

Here is a brief summary of the Plan's provisions.

- You are eligible to retire if you are:
  - Age 65 or older and have at least five service credit years, or
  - At least age 55 and have at least 20 service credit years. If you retire before age 65, your benefit will be reduced.
- The Plan provides disability retirement benefits and survivor benefits if you meet the Plan's requirements.
- You and your employer both contribute toward your retirement benefits.
- You may remain a member of the Plan if you transfer to another PERS-covered employer. To learn if a prospective employer participates in PERS call toll-free (800) 547-6657. If you're calling from the Olympia area, use (360) 664-7000.
- Your contributions are refundable only if you leave PERS-covered employment. If you withdraw your contributions prior to retirement, you lose your right to future benefits. If you return to service, you may restore withdrawn contributions and reestablish your benefits.
- If you are a dual member, you may be able to combine service credit with that earned in other Washington State retirement systems in order to qualify for retirement.

## Am I a member of the Plan?

**Y**ou are a member of Plan 2 if you were first hired into an “eligible position” with a “covered employer” on or after October 1, 1977.

An “eligible position” is one that normally requires five or more months of 70 hours or more of compensated employment in a 12-month period.

A “covered employer” is one that participates in PERS. Covered employers include:

- All departments, agencies, commissions, boards and offices of the State of Washington,
- All Washington State counties,
- Most cities, towns and public utility districts, and
- Many diking districts, fire districts, health districts, housing authorities, irrigation districts, library districts, park districts, port districts, reclamation districts, sewer districts, water districts, airports and other local government entities within the state.

### Exclusions

Some employees who satisfy the above eligibility criteria may be excluded from membership for other reasons. For a list of excluded employees, see “Additional Criteria for Membership” on page 16.

### Elected officials, governor appointees, city managers, and chief administrators for ports, counties, and P.U.D.s

These officials and administrators have the option to be covered under PERS. If they wish to be covered they must complete an Enrollment Form, and contact the Department of Retirement Systems (DRS).

## Who pays for my benefits?

### Defined Benefit Plan

**Y**our benefits are funded by contributions made by you and your employer during your period of membership and the investment earnings from those contributions. These contributions are held in trust and invested by the State Investment Board.

PERS Plan 2 is a 401(a) defined benefit plan. A defined benefit plan provides a retirement benefit that is based on service credit and final average compensation. The amount you or your employer contributes is not a factor in computing your retirement benefit.

### Your Contributions

You are required to contribute a percentage of your “compensation earnable” to PERS. This rate may be changed as necessary to reflect the cost of the Plan.

“Compensation earnable” means salaries and wages earned during a payroll period for personal services. This includes overtime and tax-deferred wages as defined by the Internal Revenue Code. Some examples of compensation that cannot be included are lump-sum payments for deferred annual sick leave, unused vacation leave or any form of severance pay.

### Employer Contributions

Employers pay contributions that are based on a percentage of your compensation earnable. Employer contributions are invested by the State Investment Board to help pay future retirement benefits. Employer contributions are not credited to your account and cannot be withdrawn.

## Tax Deferral

Some employers deduct your contributions from your paycheck each pay period before federal income taxes are calculated. This defers payment of the taxes until you receive the money in the form of a benefit or a withdrawal.

## Withdrawal of contributions

If your PERS-covered employment ends, you may request a withdrawal of your "accumulated contributions." Your accumulated contributions are the balance of your contributions plus interest. This is the only circumstance in which a withdrawal is permitted. Contributions made by employers are not refundable. For more information, see "Withdrawing Your Contributions" on page 6.

## Loans, attachments and assignments of benefits

Because the Plan is designed to provide retirement income, you may not borrow from or against your contributions. Your contributions may not be attached, assigned or paid to bankruptcy court until you retire or you request to withdraw them after leaving your employment. (See page 15 for more information.)

## How is my service counted?

### Service Credit

The size of your retirement benefit depends on your time in service and your average final compensation. "Service credit" is based on the total compensated time reported by your employer on your behalf.

**The Service Credit Month.** You receive one service credit month for each calendar month in which you earn compensation for 90 or more hours. No more than one service credit month can be obtained in any calendar month, even if you work

more than 90 hours for each of two or more employers in a month. Beginning September 1, 1991,  $\frac{1}{2}$  service credit month is granted for any calendar month in which you receive compensation for fewer than 90, but at least 70 hours. A  $\frac{1}{4}$  service credit month is granted for fewer than 70 hours in a calendar month.

Your service credit years at retirement are calculated by dividing service credit months by 12.

**School Employees.** If you are employed by the State School for the Blind, the State School for the Deaf, or an institution of higher learning, you may receive 12 service credit months for the school year (September 1 - August 31) if you:

- Are employed in an eligible position, and
- Earn compensation during at least nine months of the school year, and
- Have at least 810 hours of compensated employment during the school year.

As a school employee, you receive six service credit months for each school year if you:

- Are employed in an eligible position, and
- Earn compensation during at least nine months of the school year, and
- Have at least 630 hours but fewer than 810 hours of compensated employment during the school year.

If you earn compensation in fewer than nine months of the school year, you will receive service credit based on the number of hours compensated each month.

**Dual Membership.** You may be able to combine service credit with that earned in certain other Washington state retirement systems, in order to qualify for either regular or disability retirement.

For more information on receiving service credit from other systems, see “What if I’ve previously been a member of another retirement system?” on page 8.

**Adjustments.** Inaccuracies in a member’s service credit account are sometimes discovered during pre- or post-retirement audits. Adjustments will be made if discrepancies are discovered.

**EXAMPLE:**

**Calculating service credit**

Suppose you were hired April 1, 1982, and worked full-time until February 23, 2002, when you retired. In your final month of employment you are compensated for 88 hours. Your service credit would be as follows:

Period	Months
April 1982 through December 1982	9.0
January 1983 through December 2001	228.0
January and February 2002	<u>1.5</u>
<b>TOTAL</b>	<b>238.5</b>

$238.5 \text{ months} \div 12 \text{ months} = 19.88 \text{ years, or } 19 \text{ years and } 10.5 \text{ service credit months}$

**Military service**

You may be eligible to receive up to five years of service credit for military service by paying member contributions for the time spent in the military. To qualify you must have left PERS-covered employment to enter active military service, entered the military on or after January 1, 1990, and within 90 days after an honorable discharge applied for re-employment with the same employer. You must complete payment of these contributions prior to retirement or five years from the time you resume employment, whichever comes first.

**Leave of absence**

You may earn service credit for an unpaid leave of absence authorized by your employer. Pre-1990 military service falls under this category. Service credit for a leave of absence is limited to a maximum of two years during your working career.

To obtain service credit for unpaid leave, you must return to work in an eligible position for the same employer, and pay both member and employer contributions, including interest for both, for the time on leave. Contributions are based on the average of your compensation earnable at the time you were granted the leave and the time you resume your employment. Application for recovery of service credit for authorized leave must be in writing to DRS, PO Box 48380, Olympia, WA 98504-8380. Include your Social Security number, retirement system and plan, and a daytime telephone number in your letter. Payment must be completed prior to

**Temporary duty disability**

In some cases you can obtain service credit for work time missed while on temporary disability leave. For information on this subject, refer to the PERS Disability brochure or speak with a retirement services analyst (see contact information on page 19). You can obtain a disability brochure from DRS or your employer. The brochures are also available on the DRS Internet site (<http://www.wa.gov/drs/member/pers/persdis.htm>).

**Vesting**

When you have five years of service credit, you have a “vested” right to a retirement benefit when you meet the Plan’s age requirements. “Vesting” means you have earned the right to a future benefit, even if your covered employment ends. If you withdraw your contributions, you give up your right to retirement benefits.



## What if I leave my job?

**L**eaving your current, PERS-eligible job before you retire will have an impact on your benefits. The nature of the impact depends on where you are next employed and whether you withdraw your contributions from PERS. If your next job is with another PERS-covered employer, your membership and service credit will continue. If you need more information, refer to page 19.

### Withdrawing your contributions

If you leave PERS-covered employment, you may withdraw the contributions you made to PERS. Withdrawal of your contributions cancels all rights and benefits you may have accrued in PERS. You can learn more by reading the DRS information packet, *Withdrawal of Retirement Contributions*. This publication is available from DRS or your employer. It can also be downloaded from the DRS Internet site (<http://www.wa.gov/drs/forms/fmz-mbr.htm>).

Processing a withdrawal may require 60 to 90 days. You are not eligible to receive a withdrawal if you resume employment with a covered employer before payment is made.

### Tax Implications of Withdrawing your Contributions

Under federal law, any lump-sum withdrawal of tax-deferred retirement funds is subject to a withholding tax of 20 percent. The 20 percent withholding requirement can be avoided only if the funds are transferred directly from PERS to a qualified tax-deferred retirement account. You can find more about this requirement by reading “Withdrawal of Retirement Contributions,” a DRS information and application packet that is available through your employer, from DRS or can be downloaded from the DRS Internet site (<http://www.wa.gov/drs/forms/fmz-mbr.htm>).

Federal tax law also may require that you pay a 10 percent penalty, in addition to regular income tax, on the tax-deferred and interest portions of contributions that you withdraw before age 59½. You may be able to avoid this tax penalty by rolling the untaxed portion of your withdrawal into a tax-deferred savings plan.

You may be required to begin receiving all or a portion of your untaxed benefit by April of the year following the year you reach age 70½. For additional information refer to IRS publication 575.

DRS is required to report withdrawals to the Internal Revenue Service (IRS). It is your responsibility to account for the withdrawal on your tax return.

For more information on the tax consequences of withdrawing your contributions, contact the IRS or your tax advisor.

### Leaving your contributions in the Plan

You have the option of leaving your contributions in the Plan. At present your contributions are earning 5.5 percent interest compounded quarterly. If you leave your contributions in the Plan and later return to a PERS-covered position, you retain the service credit for the earlier period of employment.

If you leave a PERS-eligible position and leave your contributions in the Plan, keep PERS informed of your current name, address and beneficiary.

### Restoring PERS service credit

To restore withdrawn service credit in this Plan, you repay the total amount withdrawn, plus interest, within five calendar years of returning to service, or before you retire, whichever is first.

Payment must be completed by the statutory deadline described above, or your service cannot be restored under these rules. You may complete repayment even if you leave public employment again, but you must meet the **original** deadline. You can learn more about restoring service credit by obtaining the DRS brochure, *Can I Recover Withdrawn or Optional Service Credit?* which is available from your employer and DRS, and appears on the DRS Internet site (see page 20).

### Purchasing service credit

It is still possible to purchase withdrawn or optional service credit after the statutory deadline for restoration has passed. The cost for purchasing service credit after the deadline date is considerably more expensive. You can learn more about purchase of service credit by obtaining the DRS brochure, *Can I Recover Withdrawn or Optional Service Credit?* (see page 20).

## What if I've previously been a member of another retirement system?

### Former members of SCERS

If you were formerly a member of the Statewide City Employees' Retirement System (SCERS), you may establish service credit in PERS. For additional information, contact DRS. See page 19 for contact information.

### Dual Membership

If job changes have caused you to establish membership in more than one retirement system, you may be qualified to be a dual member. You may qualify even if your membership in another system has been terminated.

A dual member fills all of the following conditions:

- Is currently an active member of PERS, the Teachers' Retirement System, the School Employees' Retirement System, the Washington State Patrol Retirement System, Plan 2 of the Law Enforcement Officers' and Fire Fighters' Retirement System, or the City Retirement System of Seattle, Tacoma, or Spokane; **and**
- Has previously been a member of one or more of these systems or the SCERS in addition to the system where he or she is currently a member, **and**
- Has never been retired for service and is not currently receiving a disability retirement benefit from any public retirement system in the state of Washington.

As a dual member, you may combine service credit from any of the above retirement systems to qualify for retirement. The provisions of each respective Plan determine the amount of your benefit from each Plan and when each benefit can begin.

#### EXAMPLE:

#### Combined Service Credit

Suppose you are an active PERS Plan 2 member, age 55, and have 13 PERS Plan 2 service credit years. If you also have 7 service credit years in TRS Plan 1, you have a total of 20 service credit years — enough to be eligible to retire with a reduced benefit. See page 11 for information about retiring at age 55, and pages 9 and 10 for information about calculating a dual member benefit.

### Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than PERS, you must repay the amount withdrawn, plus interest from the date of the withdrawal until paid in full, within two years of first becoming a dual member or before you retire, whichever comes first. To find how much it will cost you to restore, contact the system from which you withdrew.



Include the following information in your letter:

- Your name, Social Security Number, address and daytime phone number,
- The system(s) in which you want to restore service credit,
- The approximate dates of each withdrawal and the periods of employment each represents, and
- The name(s) of the employer(s).

Payment must be completed by the deadline, or your service credit cannot be restored under this provision. **If the deadline passes** refer to “Purchasing Service Credit” on page 7

The provisions governing dual membership do not permit you to:

- Partially restore any single withdrawal, or
- Restore contributions and reestablish service credit in the system in which you are currently a member unless you are entitled to do so under normal restoration or service credit purchase. See page 7 for more information.

## When Can I Retire?

### Eligibility

**Y**ou are eligible to retire if you are:

- Age 65 or older and have at least five service credit years, or
- At least age 55 and have at least 20 service credit years. If you retire before age 65, your benefit will be reduced. See “How does early retirement affect my benefit” on page 11.

Retirement benefit payments are sometimes reduced when a member retires earlier than the normal plan retirement age. An “Actuarial reduction” is based

on factors provided by the Office of the State Actuary. These factors are derived from statistics about life expectancy and projections of investment earnings. An actuarial reduction is typically necessary when benefits are going to be paid over a longer period of time or to more than one person.

## What Is My Service Retirement Benefit?

### Benefit Formula

#### Plan 2 Benefit Formula

$$\begin{array}{r}
 2 \text{ percent} \\
 \times \\
 \text{service credit years} \\
 \times \\
 \text{average final compensation} \\
 = \\
 \text{monthly benefit}
 \end{array}$$

Average final compensation (AFC) is the monthly average of your 60 consecutive highest-paid service credit months. Not included are payments for any type of severance pay, such as lump-sum payments for deferred sick leave, vacation or annual leave.

#### EXAMPLE:

#### Retirement at age 65

Suppose you retire at age 65 with 32 service credit years. Your average final compensation is \$3,200. Your monthly retirement benefit, rounded to the nearest dollar, will be \$2,048.

$$2\% \times 32 \text{ years} \times \$3,200 = \text{monthly benefit}$$

$$\begin{array}{rcl}
 2\% \times 32 \text{ years} & = & .64 \\
 .64 \times \$3,200 & = & \$2,048
 \end{array}$$

This calculation results in the standard benefit. It will be lower if you choose to continue benefits to a survivor upon your death. See page 10 for a description of benefit options.

## Calculating benefits for dual members

The service retirement benefit for dual members is the sum of the benefits they have earned separately from each system. Dual members with a total of five or more service credit years from all eligible systems (see page 8) are entitled to a benefit from each system even if they have less than five service credit years in any of the systems.

In most cases, when determining average final compensation, dual members may choose whichever of the following alternatives produces the better benefit:

- Their compensation from each system (as defined in that system) to determine that system's benefit, or
- The highest "base salary" from any system.

"Base salary" is the salary or wages earned, excluding overtime, lump-sum cashouts, severance pay and bonuses.

### EXAMPLE

#### Dual Member Benefits

Suppose you are 65 years old and have 3 service credit years with PERS Plan 2 and 13 service credit years with TRS Plan 1. Without dual membership, your PERS service would be too short to earn a PERS benefit. With dual membership, you will receive a benefit from each plan, calculated according to the rules of each system as follows:

#### PERS Plan 2:

$$2\% \times 3 \text{ years' PERS service credit} \times \text{average monthly final compensation} = \text{PERS benefit}$$

#### TRS Plan 1:

$$2\% \times 13 \text{ years' TRS service credit} \times \text{average annual final compensation} \div 12 \text{ months} = \text{TRS benefit}$$

## What are my benefit options?

When you apply for a service or disability retirement, you must select a benefit option. If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. This consent must be in writing and must be witnessed by a notary. **If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary.**

### OPTION 1

#### Standard Option

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions plus interest at the date of retirement, the balance will be paid in a lump sum to your designated beneficiary.

### OPTION 2

#### Joint and 100 percent survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary receives it for his or her lifetime.

### OPTION 3

#### Joint and 50 percent survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

### OPTION 4

#### Joint and 66.67 percent survivorship

This provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary

## Changing a benefit option after retirement

Once you retire you may change your benefit option and beneficiary only by returning to active membership, **except in the following circumstances:**

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit will be adjusted to the higher Option 1 payment level. If your beneficiary dies before you, be sure to notify DRS to initiate this adjustment.
- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement. This option change can be used only one time and is irrevocable.
- If you retire under Option 1 then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change within one year of the anniversary of your first year of marriage. If you change to a survivor option, your benefit will be actuarially reduced. This option can be used only once and is irrevocable.

## Lump Sum payment instead of a monthly benefit

If your monthly benefit will be less than \$50, you may choose to take payment in a lump sum. To determine the lump sum, the projected value of your lifetime benefit will be compared to the total of your contributions plus interest. The greater amount will be paid to you. Anyone receiving such a payment is considered retired from PERS. Only members who retire early for disability, have minimal service credit, or retire as dual members are likely to receive this payment.

## How does early retirement affect my benefit?

**I**f you have at least 20 service credit years, you may retire at or after age 55. Your benefit is actuarially reduced to reflect the fact that you are likely to be receiving your benefit over a longer period of time. Reductions are prorated based on the length of time before age 65 that your benefits begin. If you have 30 or more years of service credit, the benefit reduction is set at 3 percent for each year you are under age 65.

Following are the approximate annual reductions in 2001. Your benefit is determined by the percentage in effect at the time your benefits begin.

Age at Retirement	20-29 years of service Benefit as a percentage of age 65 benefit	30+ years of service Benefit as a percentage of age 65 benefit
55	35%	70%
56	39%	73%
57	43%	76%
58	47%	79%
59	52%	82%
60	58%	85%
61	64%	88%
62	72%	91%
63	80%	94%
64	89%	97%
65	100%	100%

*Actuarial figures in the middle column are updated periodically. The figures for members with at least 30 years of service are set in statute.*

### EXAMPLE:

#### Retirement at age 55

Suppose you retire at age 55 with 25 service credit years and average final compensation of \$3,500. Because you are retiring early, your benefit is 35 percent of what it would be if you were 65 when you retired, with the same service credit and average final compensation. Your monthly benefit of \$612.50 is calculated as follows: (see page 12)

$2\% \times 25 \text{ years} \times \$3,500 \times 35\% = \text{monthly benefit}$

$2\% \times 25 \text{ years}$	=	.50
$.50 \times \$3,500$	=	\$1,750.00
$\$1,750 \times 35\%$	=	\$612.50

Suppose you work another five years. At age 60, you will have 30 service credit years. Assuming you have the same average final compensation, your benefit would be calculated as follows:

$2\% \times 30 \text{ years} \times \$3,500 \times 85\% = \text{monthly benefit}$

$2\% \times 30 \text{ years}$	=	.60
$.60 \times \$3,500$	=	\$2,100.00
$\$2,100 \times 85\%$	=	\$1,785.00

## Can my benefit increase after I retire?

**O**n July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle) to a maximum of 3 percent per year.

## What benefits will I receive if I become disabled?

### Eligibility for disability retirement

**I**f you become totally incapacitated for continued employment with a covered employer, and leave that employment as a result of the disability, you may be eligible for a disability retirement benefit. No payment will be made until you separate from covered employment.

If you are receiving a disability retirement benefit, you will be subject to comprehensive medical examinations as required by PERS. If these examinations reveal that you have recovered from your disability, and you are offered employment by a covered employer at comparable pay, you will no longer be eligible to receive a disability retirement benefit.

### Disability retirement benefit

The disability retirement benefit, including survivor options, is determined by the same formula as a service retirement benefit, described on page 10. The disability retirement benefit is actuarially reduced to reflect your age at the time benefits begin.

### Lump sum retirement benefit

If your monthly benefit will be less than \$50, you may choose to take payment in a lump sum. To determine the lump sum, the projected value of your lifetime benefit will be compared with the total of your contributions plus interest. The greater amount will be paid to you. Anyone receiving such a payment is considered retired from PERS. Unlike a withdrawal of contributions, there is no 10 percent penalty for early withdrawal if you are under age 59½.

### Temporary duty disability

See page 6 for an explanation of how you can receive service credit if you miss work because of a temporary disability.

### More information

For more information about your disability benefits, ask your employer or DRS for the brochure, *PERS Disability Benefits*. The brochure is also available on the DRS Internet site (<http://www.wa.gov/drs/member/pers/persdis.htm>).

## What benefits do my survivors receive?

### If You Die After Retirement

If you die after you begin a service or disability retirement, your survivors may be eligible to receive benefits depending upon the retirement option you chose (see “What are my benefit options?” on page 10).

### If you die before retirement

If you die prior to retirement, your designated beneficiary (as listed with PERS) may be eligible for benefits as follows.

**Fewer than 10 service credit years and ineligible to retire.** If you die before you have 10 service credit years and before retirement eligibility, your beneficiary(ies) receives your contributions, plus interest.

**Ten or more service credit years or eligible to retire.** If you die after becoming eligible to retire or after accumulating 10 or more service credit years, your surviving spouse, or if none, the guardian of your minor children, may choose between the following two benefits:

- The sum of your contributions, plus interest, or
- A monthly benefit calculated as if you had:
  - Elected a Joint and 100 Percent Survivorship option, and
  - Retired on the date of your death. The benefit is actuarially reduced if you are under age 65 at death.

If your spouse dies while receiving a survivor's retirement benefit and leaves a minor child or children, the children will continue to receive the benefit that was paid to your spouse. The benefit will be shared equally among the children and paid until they reach the age of majority.

If there is no surviving spouse at the time of your death, and you have minor children, their guardian will choose between the two payment options.

If there are no minor children or surviving spouse, your designated beneficiary will receive your accrued contributions plus interest.

### Designating a Beneficiary

**As an active member,** you should keep your beneficiary designation in your PERS record up-to-date.

If you marry or divorce, file a new beneficiary designation form, even if your beneficiary remains the same. If you fail to file a beneficiary designation form, DRS pays your surviving spouse or, if none, your estate.

To change your beneficiary, you must submit a beneficiary designation form to DRS. Forms for this purpose are available from your payroll department and DRS or the DRS Internet site. See page 20 for DRS Internet site information.

**At retirement,** if you choose an Option 1 benefit payment, you may name a trust, your estate, an organization, or a person as your beneficiary. However, if you choose Option 2, 3, or 4, you must select a person as your beneficiary.

**Once you retire** you may change your benefit option and beneficiary by returning to active membership, or under the following circumstances:

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit will be adjusted to the Option 1 benefit level. If your beneficiary dies before you, be sure to notify



- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement. This option can be used only one time and is irrevocable.
- If you retire under Option 1 then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change within one year of the anniversary of your first year of marriage. If you change to a survivor option, your benefit will be actuarially reduced. This option can be used only once and is irrevocable.

### **If you die as a result of an injury sustained in the course of employment**

If an active member or disability retiree dies as a result of injuries sustained in the course of employment and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a \$150,000 death benefit to the member's designated beneficiary.

If an active member or disability retiree dies as a result of injuries sustained in the line of duty as a public safety officer, ongoing benefits received by the member's survivors may qualify for non-taxable status under federal and state law. Eligibility to receive benefit tax exemption will be determined by DRS.

## **Working after retirement**

Your benefits may be affected if you work for

Washington public employer after retirement. In some cases, depending on the position and the extent to which you work, your retirement benefits may be suspended.

Under state law, the employer is required to report your hours to DRS. In most cases, you can work up to 867 hours in a calendar year before your retirement benefit is suspended. The PERS publication, *Thinking About Working After Retirement?* provides a summary of the laws regarding post-retirement employment. You can obtain this publication from any PERS employer or from DRS. It is also available on the DRS Internet site. See page 20.

## **Can I transfer to PERS Plan 3?**

All PERS Plan 2 members have the opportunity to become PERS Plan 3 members.

### **Members who enter service after the implementation transfer window**

If you first enter PERS-covered service after the implementation transfer windows are closed, you have 90 days to select a retirement plan. When you go to work, your employer will provide a packet of information and forms to help facilitate your decision. Additional information and some useful tools are available on the DRS Internet site ([www.wa.gov/drs/](http://www.wa.gov/drs/)). If you do not select a plan within 90 days, your default choice becomes Plan 3. The Plan you choose, whether actively making the selection or by default, will be your plan for the duration of your PERS membership.

## **Plan 2 members who choose not to transfer during the implementation window**

If you are a Plan 2 member and you entered PERS-covered service prior to the PERS Plan 3 implementation transfer window, you retain the option to transfer to Plan 3 during January of each year. Once you transfer to PERS Plan 3, you cannot return to PERS Plan 2 membership.

If you transfer to Plan 3 after the implementation window, you will not receive a transfer payment. Only your accumulated Plan 2 member contributions plus interest earned are moved to your personal Plan 3 account.

## **Taxation and assignment of benefits**

### **Federal Income Taxes**

**M**ost of your retirement benefit is subject to federal income tax. The only tax exempt portion is that which was taxed before it was contributed. Some employers deduct contributions before withholding federal income tax.

After you retire, PERS will notify you of the portion of your contributions that has already been taxed. The IRS refers to the taxed amount as your "cost." You must complete a W-4P form to tell

PERS how much of your monthly benefit should be withheld for taxes. If you do not, PERS will follow IRS rules requiring withholding as if you are married and claiming three exemptions. DRS does not determine your taxable income. It is your responsibility to declare the proper total of taxable income on your income tax return.

### **Assignment and attachment of benefits**

Retirement funds are not generally subject to assignment or attachment. However, payments received by you in the form of retirement benefits or as a refund of contributions may be subject to payment of court and administrative orders for property divisions, spousal maintenance and child support, or orders authorized by federal law.

DRS is authorized to divide pensions between members and ex-spouses based upon court-ordered property division. If the divorce decree complies with the applicable law, PERS will send the property division payment directly to the ex-spouse. For more information, refer to the DRS brochure, *Can My Retirement Money Be Attached?*. To obtain this brochure and more detailed information contact DRS, or visit the DRS Internet site: (<http://www.wa.gov/drs/member/div/index.htm>) and (<http://www.wa.gov/drs/member/attached.htm>).

## **Why does DRS need my Social Security number?**

**D**RS sometimes requests that you provide your Social Security Number when you are conducting business with the agency. DRS needs your Social Security Number to report disbursements to the Internal Revenue Service. 26 United States Code, Sections 6047(D), 6041(A), and 6109(A)(3) authorize DRS to solicit your Social Security Number.

- DRS uses your Social Security Number to ensure that any amounts disbursed under your account are properly reported to the Internal Revenue Service and as a reference number for tracking all data with regard to your retirement account.
- Routinely, DRS uses the Social Security Number as the identifying number for the member file.
- If you do not provide your Social Security Number, DRS cannot guarantee that the information you provide will be properly matched with your member records. This is a particular risk if your name is a fairly common one. Failure to provide your Social Security Number may result in misreporting any disbursements you receive to the IRS and may result in adverse tax consequences.
- Because DRS uses your Social Security Number in order to report disbursements to the IRS as required under federal law, the disclosure of your Social Security Number is mandatory.

## Additional criteria for membership

Some employees who satisfy the basic eligibility criteria (described on page 3) may be excluded from membership for other reasons. If you belong to one of the categories listed below, write to PERS to determine whether membership is optional or prohibited.

The following employees may be prohibited from joining:

- Some employees who are members of other public retirement systems in Washington, or

who are receiving a retirement or disability benefit from such a system,

- Persons employed by an institution of higher learning or community college, primarily as an incident to and in furtherance of their education or training, or the education or training of a spouse,
- Employees of an institution of higher learning or community college during the period of service necessary to establish eligibility for membership in the retirement plans operated by such institutions,
- Persons rendering professional services to an employer on a fee, retainer or contract basis, or when the income from professional services is less than 50 percent of the gross income the person receives from his or her profession,
- Some persons who are employees, or elected or appointed officials of a first-class city that has its own retirement system (PERS members who become elected officials of first-class cities may elect to continue in PERS membership instead of joining the city's retirement system), and
- Persons enrolled in state-approved apprenticeship programs, authorized under Chapter 49.04 RCW, and who are employed by local governments to earn hours to complete such apprenticeship programs, if the employee is a member of a union-sponsored retirement plan and is making contributions to such a retirement plan, or if the employee is a member of a Taft-Hartley retirement plan.

Membership may be optional for some employees as follows:

- Some employees of the legislature,
- Current or former elected officials or officials appointed by the Governor, and

- The city manager or chief administrative officers of a city, town, county, port authority, or public utility district who serves at the pleasure of an appointing authority. This person has the option of applying for membership within 30 days of being appointed to the position.

## When Should I Start Planning for Retirement?

**P**lanning for retirement is an ongoing process. The sooner you start the more likely you are to enjoy a comfortable and successful retirement. Here are some simple things you can do to help build your retirement plan:

- Early in your career attend one of DRS' Retirement Planning Seminars. These full-day sessions feature qualified speakers on a number of retirement subjects and are free of charge to all State retirement plan members. The dates and locations for these seminars are announced in the member newsletter, *Retirement Outlook*, and on the DRS Web site (<http://www.wa.gov/DRS/drs.htm>). Over the course of your career you may want to attend several seminars.
- Study this handbook as a resource to your state retirement benefits, and attend the DRS Rights and Benefits Workshops to hear explanations of your state retirement plan. Benefits Workshops are included in Retirement Planning Seminars.
- Calculate your future retirement benefit using the benefit estimator for your plan on the DRS Web site (<http://www.wa.gov/drs/estimate-unix/index.htm>). You can run a variety of retirement scenarios – early retirement,

survivor options, etc. – to see what works best for you.

- Because there are statutory time limits on restoring contributions withdrawn from your state pension, obtain a copy of the DRS brochure, *Plan 2 Recovery of Withdrawn or Optional Service Credit*, or access the publication on the DRS Web site (<http://www.wa.gov/drs/member/publications.htm>), and review the rules that apply to your situation.

## As you get closer to retirement

Consider the following:

- Contact the Social Security office periodically to review your file's accuracy. The toll-free telephone number for Social Security information is 1-800-772-1213. You can also obtain valuable information about Social Security and Medicare by visiting the Social Security Internet site (<http://www.ssa.gov>).
- Obtain a copy of Internal Revenue Service Publication 575, *Pensions and Annuities*, also available on the Internet ([http://www.irs.gov/forms\\_pubs/pubs.html](http://www.irs.gov/forms_pubs/pubs.html)).
- If you are within a year of your retirement date, request an estimate of your benefit from DRS. DRS will return a retirement application with your estimate.

## Applying for retirement

You can complete the entire retirement process through the mail. See DRS contact information on page 19. If you prefer to visit DRS to review your account information and retirement options, Retirement Services Analysts are available to assist you. Please call for an appointment.

If you write to DRS for specific information about your pension account, be sure to provide your Social Security Number and signature.

## Administrative Information

### Payment of Retirement Benefits

Your retirement benefit accrues from the first day of the month following the date you terminate employment. Your benefit is paid at the end of each month and, in most cases, can be deposited directly in your bank or credit union account.

### Keep DRS informed of your mailing address

After you retire, it is important that you keep DRS informed of your current mailing address, even if you have your check deposited directly in your bank or credit union account. This way you can be assured of receiving information about your benefits and income taxes in a timely manner.

### Administration of the system

The Public Employees' Retirement System is administered by the Department of Retirement Systems. The Director of the Department is appointed by the Governor and is responsible for administering PERS.

### Benefit adjustments

If you receive an overpayment of your retirement benefit or withdrawal, DRS will require that the overpayment be repaid.

If there is an underpayment, the Department will correct the error and pay you in full.

### Petitions and appeals

Under the Department's internal review procedures, all "appeals" begin as "petitions." You may challenge a decision of a Department administrator by filing a petition within 120 days of your receipt of the decision. A petition will be

reviewed by the Department's Petition Examiner.

To file a petition, complete and submit a detailed statement of:

- The relief you are requesting;
- The facts relating to your petition, including any relevant documents or sworn statements which support your request for relief;
- The legal basis for your petition, including any relevant legal provisions or precedents;
- The name and address of your legal counsel, if you choose to be represented; and
- Your name, address, Social Security Number, and signature.

The Petition Examiner will ask for relevant information from the involved parties. Usually, this means you, the Department itself, and possibly your employer. After review, the Petition Examiner will enter a written decision and mail that decision to you by certified mail.

If you are not satisfied with the petition decision, you may file an appeal within 60 days of receipt of the decision. Included with your petition decision will be information describing how to file an appeal. An appeal will be heard by either the Department's Presiding Officer or an Administrative Law Judge.



## Where to find more information

**F**or more information about your rights and benefits under this Plan, write:

Department of Retirement Systems  
Public Employees' Retirement System  
PO Box 48380  
Olympia, Washington 98504-8380

Be sure to include your Social Security Number to allow identification of your account. If your question is complex, provide as much detail as possible.

An individual conference with a PERS retirement services analyst can also be arranged by calling toll-free 1-800-547-6657, or from the Olympia greater area, (360)664-7000. Office hours are 8 a.m. to 5 p.m., Monday through Friday, except legal holidays.

### Other Publications for PERS Members

The following DRS publications can be obtained from your employer or by calling 1-800-547-6657, or from the Olympia area, (360) 664-7000, or by visiting the DRS Web site:

<http://www.wa.gov/drs/>

- *PERS Disability*
- *Thinking about Working after Retirement?*
- *Can My Retirement Money Be Attached?*
- *Plan 2 Recovery of Withdrawn or Optional Service Credit*
- *Withdrawal of Retirement Contributions*
- *Military Service Credit*
- *Can I Change My Retirement Benefit Option After I Retire?*

### DRS Telephone Listing

TDD Line (for hearing impaired) .....(360) 586-5450  
Central Reception .....(800) 547-6657  
Olympia area callers .....(360) 664-7000

*The receptionist will transfer you to an employee who can provide assistance in areas such as:*

- Counseling appointments
- Death of member, retiree, or beneficiary
- Disability information
- Divorce settlements
- Eligibility for membership
- Final application for retirement
- Refunds (withdrawal of contributions)
- Restoration of withdrawn contributions
- Retirement benefit estimates

### Other DRS-Administered Retirement Systems

*You can obtain information about other DRS-administered retirement systems by calling Central Reception.*

Central Reception .....(800)547-6657  
Olympia area callers .....(360) 664-7000

- Teachers' Retirement System
- School Employees' Retirement System
- Law Enforcement Officers' and Fire Fighters' Retirement System
- State Patrol Retirement System
- Judicial Retirement System
- Judges' Retirement Fund

## Does DRS have an Internet site?

**D**RS maintains an Internet site that includes the most recent edition of this handbook and all other member publications for PERS and the other DRS-administered systems.

Also on the site:

- Current and past issues of the member newsletter, *Retirement Outlook*,
- Information about recent retirement-related legislation,
- Online registration for retirement planning seminars and pension workshops
- A benefit estimator that you can use for retirement planning purposes, and
- A variety of other information of interest to retirement system members and public employers in Washington State.

**The address for the DRS Internet site:**

<http://www.drs.wa.gov>

## You can contact DRS using e-mail

You can use e-mail to request specific information about your retirement system and plan, or your personal retirement account. When requesting information about your personal account, be sure to provide:

- Your name,
- Social Security Number,
- Retirement system and plan, and
- Daytime phone number.

**Warning:** Electronic mail messages on the Internet may not be secure. Your message may not be confidential; it may be possible for other people to read your e-mail message.

**DRS e-mail address:** [recep@drs.wa.gov](mailto:recep@drs.wa.gov)

**For information about obtaining a copy of this publication in an alternate format, contact DRS Publications at (800) 547-6657. From the Olympia area, call (360) 664-7278.**

**This publication also appears on the DRS Web site ([www.drs.wa.gov](http://www.drs.wa.gov)).**